



To: Electric Affordability Workshop Participants
From: Philene Taormina
Date: October 11, 2006
Re: Comments/questions on affordability program proposals

Thank you for the opportunity to submit comments and questions regarding the proposals submitted to the Public Service Board (PSB) thus far. AARP VT strongly believes that we all need to work together to find common ground. It is critical that the most economically vulnerable citizens of Vermont have access to electricity as an essential service. This process is an important step in reaching that goal.

Central Vermont Public Service (CVPS)

AARP believes that there is a lot to work with in this proposal and we agree with many of the principles put forward by CVPS. Specifically, we agree that a program should be funded at a level sufficient to meet the needs of designated low-income beneficiaries. We also agree that the funds should be pooled, the administration of the program should be streamlined and simple, and that a one-time arrearage forgiveness program is the easiest model to implement.

CVPS proposes several possible methods of funding a program. The first is an appropriation from the Vermont General Fund. While AARP does not oppose this option, we also do not believe this funding method will provide a stable source of fund for the program over the long term. Moreover, when dealing with public utility services, like telephone service and electricity, it is more common to implement a Universal Service Fund (USF) model as a funding mechanism. AARP believes that the policy reason for using a USF model is embedded in the notion that public utility services are essential to the basic needs of all Vermonters and assuring access to service is a cost and benefit of the system and should be treated as such.

The other recommendations for funding mechanisms made by CVPS do this by suggesting the imposition of either an energy-based gross receipts tax or a uniform percentage surcharge on all electric revenues. We ask that the PSB seek more on the economic bill impacts of each of these two proposed models and the program funds generated?

Finally, CVPS proposes that the program costs be listed on the costumer bill as a "system benefits charge." AARP believes that in order to maintain a simplified bill that

does not confuse consumers ALL system charges that provide a benefit to the overall system should be listed as one charge.

Department of Public Service (DPS)

AARP agrees with the DPS that program should run in tiers based on income guidelines and that there should be incentives built in for conservation. However, the two methods proposed as conservation incentives need further exploration as to their effectiveness in reducing usage. As data presented indicates, there is very little difference by income level in electricity usage patterns. Moreover, if the discounted kWh cap is set too low or the actual subsidy is set too low, the fundamental program purpose of making electricity more affordable for low and fixed income households will be defeated. AARP would like to see more data presented by the DPS on these two models.

The DPS also proposed a flat fee structure to fund the program. AARP recommends that the PSB seek more information on how these fee levels were determined by the DPS. In particular, what are the policy reasons and/or methodologies used for setting the commercial rate at \$3 dollars a month and the industrial fee at \$100 dollars a month?

A majority of the states that provide low-income payment assistance through charges on bills use non-bypassable volumetric mechanisms. Illinois is an exception to this rule. In that state, payment assistance is funded through a “meters charge” that varies by customer class. Residential customers in Illinois pay \$0.40/month, non-residential customers with peak demand of less than 10 megawatts pay \$4/month, and non-residential customers with peak demand of 10 megawatts or more pay \$300/month.

While AARP does not specifically oppose a flat fee structure, it is important that the proposal raise sufficient revenue to fund the program and meet the legislative intent to “...design a program that is funded by all customer classes in an equitable and reasonable manner...”. AARP asks that the DPS be required to submit further information showing how much revenue would be raised annually by their proposal and how the flat fee structure proposed is equitable.

Vermont Electric Coop (VEC)

AARP does not believe that using electricity disconnect data will provide sufficient information to provide a meaningful discount to those Vermonters most in need of assistance. The approach VEC takes assumes that all disconnections are due to inability to pay, but fails to address the issue before the PSB which is inability to afford electricity, in part, because of the exceedingly low incomes of many Vermont households.